



**Statkraft**

**Q2/08** STATKRAFT SF

**INTERIM  
REPORT**

**Q2**

## Key figures

	Unit	Q2		Year to date		The year
		2008	2007	2008	2007	2007
Gross operating revenues	NOK mill.	<b>4,857</b>	2,981	<b>12,109</b>	8,014	17,950
Net operating revenues	NOK mill.	<b>2,138</b>	2,117	<b>9,199</b>	6,250	13,583
- of which unrealised changes in value	NOK mill.	<b>-1,625</b>	-288	<b>-226</b>	-305	-739
EBITDA	NOK mill.	<b>890</b>	1,045	<b>6,633</b>	4,075	9,055
Operating profit	NOK mill.	<b>438</b>	656	<b>5,722</b>	3,301	7,400
Share of profit from associates and joint ventures	NOK mill.	<b>-427</b>	436	<b>741</b>	1,474	2,652
- of which unrealised changes in value	NOK mill.	<b>-1,096</b>	-53	<b>-985</b>	201	279
Net financial items	NOK mill.	<b>-448</b>	-432	<b>-1,169</b>	-565	-1,243
- of which unrealised changes in value	NOK mill.	<b>154</b>	-19	<b>-110</b>	104	230
Profit before tax	NOK mill.	<b>-438</b>	660	<b>5,294</b>	4,211	8,809
Profit after tax	NOK mill.	<b>-606</b>	459	<b>3,251</b>	3,113	6,772
EBITDA% <sup>1)</sup>	%	<b>51.8</b>	44.7	<b>56.6</b>	54.7	54.6
Net changes in cash flow from operating activities	NOK mill.	<b>3,231</b>	1,195	<b>6,636</b>	4,120	6,171
Cash and cash equivalents	NOK mill.			<b>8,659</b>	8,548	3,344
Assets	NOK mill.			<b>124,083</b>	110,949	110,292
Interest-bearing debt ratio	%			<b>46.6</b>	48.8	49.0
Average system price, Nord Pool	EUR/MWh	<b>34.7</b>	22.5	<b>36.4</b>	24.6	27.9
Production, volume sold	TWh	<b>12.0</b>	9.3	<b>27.5</b>	21.1	44.9
- of which hydropower	TWh	<b>10.6</b>	9.1	<b>24.3</b>	20.71	42.7
- of which wind power	TWh	<b>0.1</b>	0.2	<b>0.3</b>	0.34	0.7
- of which gas power	TWh	<b>1.3</b>	0	<b>2.9</b>	0	1.5
Full-time jobs (equivalents)	No.			<b>2,335</b>	2,218	2,287

<sup>1)</sup> Adjusted for unrealised changes in value and material non-recurring items.

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## Highlights in the quarter<sup>1</sup>

The Group posted a profit before tax for the first six months of the year of NOK 5,294 million (NOK 4,211 million), while the profit after tax was NOK 3,251 million (NOK 3,113 million). The adjusted profit after tax for the six months ending 30 June 2008 was NOK 4,546 million (NOK 3,366 million). In the second quarter of the year the Group recorded respective pre- and post-tax losses of NOK 438 million (profit of NOK 660 million) and NOK 606 million (profit of NOK 459 million). These losses are attributable to significant unrealised changes in value. Adjusted for these, and material non-recurring items, the Group posted a profit after tax of NOK 1,549 million (NOK 733 million).

On 24 July E.ON AG and Statkraft signed an agreement under the terms of which Statkraft will exchange its shareholding in E.ON Sverige for assets and shares in E.ON AG. The transaction is expected to be implemented at the end of 2008.

In March, Statkraft decided to proceed with the construction of Blaengwen Wind Farm in Wales. Statkraft and the American company Catamount each own 50 percent of the wind farm, which will have an installed capacity of 23 MW. In June, together with one of its partners in the UK, Statkraft was granted permission to construct Carraig Gheal Wind Farm near Oban on the west coast of Scotland. The wind farm will have an installed capacity of up to 60 MW.

The Group has adopted a new strategy in relation to its commitment to wind power, one of the effects of which will be an increased focus on the development and construction of offshore wind farms in the North Sea Basin. In March Statkraft signed a cooperation agreement with NorWind within offshore wind power to implement a concept study for a large-scale, fixed-base offshore wind farm. In June Statkraft invested in Arise Windpower AB (11.8% shareholding), which develops onshore wind power projects in Southern Sweden, and WindSea AS (49% shareholding), which is developing a concept for offshore wind power based on a floating construction.

At the end of March Statkraft and its collaboration partner Norsk Solkraft were granted a licence to develop a 3 MW photovoltaic solar energy plant in Italy.

In June SN Power decided to commence construction of the company's first wind farm. SN Power owns 80% of the wind farm, which is being constructed in Chile together with a local partner. The wind farm will have 23 turbines and a total installed effect of 46 MW.

Retail electricity providers Fjordkraft and Trondheim Energi Kraftsalg have introduced UN-recognised climate quotas within the private sector market, as well as for customers who wish to ensure that their business activities are carbon neutral. This scheme now stands alongside the previously launched certificate-of-origin electricity agreement scheme.

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<sup>1</sup> Comparative figures for 2007 are shown in brackets.

## Statkraft SF's business

The purpose of Statkraft SF is to own all the shares in, and provide loans to, Statkraft AS. In addition, Statkraft SF owns certain assets that for technical reasons may not be owned by Statkraft AS. This applies to power plants that have reverted to state ownership and are leased to third parties and to plants that will be owned by Statkraft on reversion to state ownership, together with certain overseas investments (Asian Power Invest AB and Nordic Hydropower AB).

The consolidated financial statements for Statkraft SF will, with the exception of the retained assets and individual items on the liabilities side, be identical with the consolidated financial statements for the Statkraft AS sub-group.

In the closing balance sheet for the second quarter of 2008, the value of the total assets of the Statkraft SF Group was NOK 91 million greater than that of the total assets of the Statkraft AS Group. The book value of the leased power plants and the overseas

investments amounted to NOK 922 million.

The Statkraft SF Group's long-term interest-bearing liabilities were NOK 2,750 million higher than those of the Statkraft AS Group, as a consequence of the borrowing by Statkraft SF of NOK 3 billion under an established line of credit in order to finance the dividend payment for the 2004 financial year. At the end of the second quarter, interest-bearing liabilities amounted to NOK 40,040 million, compared with NOK 40,034 million at the end of 2007. The interest-bearing debt ratio was 51.2%, compared with 49.0% at the end of 2007. Current assets, excluding cash and cash equivalents, totalled NOK 22,997 million, while short-term interest-free liabilities amounted to NOK 35,788 million.

The differences between the respective income statements of Statkraft SF and Statkraft AS primarily relate to revenues and expenses associated with ongoing operation of the retained assets. As the following table shows, these differences are relatively modest.

Figures in NOK million	Statkraft SF Group	Statkraft AS Group	Difference
Sales revenues	11,551	11,551	0
Other operating revenues	559	394	164
<b>Gross operating revenues</b>	<b>12,109</b>	<b>11,945</b>	<b>164</b>
Energy purchases	-2,078	-2,078	0
Transmission costs	-607	-601	-6
Unrealised changes in value energy contracts	-226	-226	0
<b>Net operating revenues</b>	<b>9,199</b>	<b>9,040</b>	<b>159</b>
Salaries and payroll costs	-813	-813	0
Depreciation and write-downs	-911	-902	-8
Property tax and licence fees	-549	-524	-24
Other operating expenses	-1,205	-1,135	-70
<b>Operating expenses</b>	<b>-3,477</b>	<b>-3,374</b>	<b>-103</b>
<b>Operating profit</b>	<b>5,722</b>	<b>5,666</b>	<b>56</b>
<b>Share of profit from associates and joint ventures</b>	<b>741</b>	<b>738</b>	<b>3</b>
Financial income	210	221	-10
Financial expenses	-1,269	-1,182	-88
Unrealised changes in value currency and interest rates	-110	-109	-1
<b>Net financial items</b>	<b>-1,169</b>	<b>-1,071</b>	<b>-99</b>
<b>Profit before tax</b>	<b>5,294</b>	<b>5,334</b>	<b>-40</b>
Taxes	-2,043	-2,115	72
<b>Net profit</b>	<b>3,251</b>	<b>3,218</b>	<b>32</b>
Of which minority interests	122	122	0
Of which majority interests	3,129	3,097	32

A more detailed description of operating activities and the financial results for the period can be found in the quarterly interim financial report for the Statkraft AS Group, which is appended as an Annex.

## Responsibility statement

We confirm to the best of our knowledge that the condensed set of financial statements for the period 1 January to 30 June 2008 has been prepared in accordance with IAS 34 'Interim Financial Reporting' and gives a true and fair view of the Group's assets, liabilities, financial position and result for the period viewed in their entirety, and that the interim management report includes a fair review of any significant events that arose during the six-month period and their effect on the half-yearly financial report, any significant related parties' transactions, and a description of the principal risks and uncertainties for the remaining six months of the year.


Oslo, 13 August 2008  
The Board of Directors of Statkraft SF



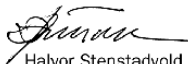
Berit Rødseth



Arvid Grundekjøn  
Chair



Ellen Stensrud  
Deputy chair



Halvor Stenstadvold



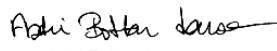
Aud Mork



Egil Nordvik



Thorbjørn Holøs



Astri Botten Larsen



Odd Varvik



Bård Mikkelsen  
President and CEO

# Statkraft SF Group Interim Financial Statements

## INCOME STATEMENT

Figures in NOK million	Q2		Year to date		The year
	2008	2007	2008	2007	2007
Sales revenues	4 562	2 725	11 551	7 476	16 544
Other operating revenues	295	256	559	538	1 406
<b>Gross operating revenues</b>	<b>4 857</b>	<b>2 981</b>	<b>12 109</b>	<b>8 014</b>	<b>17 950</b>
Energy purchase	-793	-388	-2 078	-1 039	-2 680
Transmission costs	-302	-187	-607	-421	-948
Unrealised changes in value energy contracts	-1 625	-288	-226	-305	-739
<b>Net operating revenues</b>	<b>2 138</b>	<b>2 117</b>	<b>9 199</b>	<b>6 250</b>	<b>13 583</b>
Salaries and payroll costs	-350	-319	-813	-721	-1 604
Depreciation and impairments	-453	-389	-911	-774	-1 656
Property tax and licence fees	-259	-267	-549	-515	-1 034
Other operating expenses	-639	-487	-1 205	-939	-1 890
<b>Operating expenses</b>	<b>-1 700</b>	<b>-1 461</b>	<b>-3 477</b>	<b>-2 949</b>	<b>-6 183</b>
<b>Operating profit</b>	<b>438</b>	<b>656</b>	<b>5 722</b>	<b>3 301</b>	<b>7 400</b>
<b>Share of profit from associates and joint ventures</b>	<b>-427</b>	<b>436</b>	<b>741</b>	<b>1 474</b>	<b>2 652</b>
Financial income	91	87	210	219	411
Financial expenses	-694	-500	-1 269	-887	-1 884
Unrealised changes in value currency and interest contracts	154	-19	-110	104	230
<b>Net financial items</b>	<b>-448</b>	<b>-432</b>	<b>-1 169</b>	<b>-565</b>	<b>-1 243</b>
<b>Profit before tax</b>	<b>-438</b>	<b>660</b>	<b>5 294</b>	<b>4 211</b>	<b>8 809</b>
Taxes	-168	-201	-2 043	-1 097	-2 037
<b>Net profit</b>	<b>-606</b>	<b>459</b>	<b>3 251</b>	<b>3 113</b>	<b>6 772</b>
Of which minority interest	14	-9	122	70	166
Of which majority interest	-620	468	3 129	3 043	6 606

## BALANCE SHEET

Figures in NOK million	30.06.08	30.06.07	31.12.07
<b>ASSETS</b>			
Intangible assets	2 688	2 633	1 657
Property, plant and equipment	56 940	56 499	56 957
Investments in associates and joint ventures	13 551	30 326	32 332
Other financial fixed assets	2 169	1 362	1 930
<b>Fixed assets</b>	<b>75 347</b>	<b>90 819</b>	<b>92 876</b>
<b>Asset held for sale</b>	<b>17 079</b>	-	-
Inventories	335	57	303
Receivables	4 293	3 219	5 096
Short-term financial investments	342	383	347
Derivatives	18 027	7 922	8 326
Cash and cash equivalents	8 659	8 548	3 344
<b>Current assets</b>	<b>31 657</b>	<b>20 130</b>	<b>17 416</b>
<b>Total assets</b>	<b>124 083</b>	<b>110 949</b>	<b>110 292</b>
<b>EQUITY AND LIABILITIES</b>			
Paid-in capital	29 250	29 250	29 250
Retained earnings	6 139	5 802	9 583
Minority interests	2 726	2 632	2 817
<b>Equity</b>	<b>38 115</b>	<b>37 684</b>	<b>41 650</b>
Provisions	10 139	10 780	9 603
Long-term interest-bearing liabilities	31 522	36 965	33 111
<b>Long-term liabilities</b>	<b>41 661</b>	<b>47 746</b>	<b>42 714</b>
Short-term interest-bearing liabilities	8 518	1 970	6 923
Taxes payable	3 349	3 442	2 901
Other interest-free liabilities	10 076	8 796	3 650
Derivatives	22 363	11 311	12 454
<b>Current liabilities</b>	<b>44 307</b>	<b>25 519</b>	<b>25 928</b>
<b>Equity and liabilities</b>	<b>124 083</b>	<b>110 949</b>	<b>110 292</b>

## STATEMENT OF CHANGES IN EQUITY

Figures in NOK million	30.06.08	30.06.07	31.12.07
Paid-in capital 01.01	29 250	29 250	29 250
<b>Paid-in capital 30.06 / 31.12</b>	<b>29 250</b>	29 250	29 250
Retained earnings 01.01	9 583	10 170	10 170
Net profit for the period	3 129	3 043	6 606
Dividend and Group contribution	-6 560	-5 857	-5 857
Estimate deviation pensions	8	-33	-118
Change in translation differences	-24	-1 521	-856
Change in equity in associates and joint ventures	-	-	-357
Other	3	-	-5
<b>Retained earnings 30.06 / 31.12</b>	<b>6 139</b>	5 802	9 583
Minority interests 01.01	2 817	2 934	2 934
Net profit for the period	122	70	166
Capital reduction and dividends	-181	-411	-417
Estimate deviation pensions	-	-	-39
Change in translation differences	-32	39	-21
Other	-	-	194
<b>Minority interests 30.06 / 31.12</b>	<b>2 726</b>	2 632	2 817
<b>Equity 30.06 / 31.12</b>	<b>38 115</b>	37 684	41 650

## CASH FLOW STATEMENT

Figures in NOK million	Year to date		The year
	2008	2007	2007
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Profit before tax	5 294	4 211	8 809
Gain/ loss on sales of fixed assets	-4	-7	-9
Ordinary depreciation and impairments	911	774	1 656
Share of profits from associates and joint ventures	-741	-1 474	-2 652
Unrealised changes in value contracts	336	201	512
Taxes	-1 959	-1 908	-3 917
<b>Cash flow from operating activities</b>	<b>3 837</b>	1 797	4 399
Changes in long-term items	-42	-14	-355
Changes in current items	266	920	679
Dividend from associates	2 575	1 417	1 448
<b>Net cash flow from operating activities</b>	<b>6 636</b>	4 120	6 171
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Investments in property, plant and equipment	-896	-915	-2 015
Proceeds from sales of fixed assets	12	13	25
Loans to third parties	-183	-21	-212
Investments in other companies	-306	-906	-1 800
<b>Net cash flow from investing activities</b>	<b>-1 373</b>	-1 828	-4 002
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
New long-term debt	832	8 980	11 786
Repayment of long-term debt	-583	-4 601	-6 236
Capital increase	-	-	24
Dividend paid	-197	-	-6 274
<b>Net cash flow from financing activities</b>	<b>52</b>	4 379	-700
<b>Net change in cash and cash equivalents</b>	<b>5 315</b>	6 671	1 469
Currency effect on cash flows	-	-3	-5
Cash and cash equivalents 01.01	3 344	1 880	1 880
Cash and cash equivalents 30.06 / 31.12	8 659	8 548	3 344
Unused committed credit lines	8 450	5 450	5 450
Unused overdraft facilities	600	600	600

## Comments on the financial statements

### Accounting framework and material accounting policies

The consolidated interim financial statements for the second quarter of 2008, the three months ending 30 June, have been prepared in accordance with International Financial Reporting Standards (IFRSs) and include Statkraft SF, its subsidiaries and associates. The interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting. As the information provided in interim financial statements is less comprehensive than that contained in the annual financial statements, these statements must therefore be read in the conjunction with the consolidated financial statements for 2007.

### Unresolved issues relating to IFRSs – concessionary power sales contracts

The correct accounting treatment of concessionary power sales contracts with financial settlement is unclear. Statkraft has decided not to incorporate such concessionary power contracts in the financial statements until a solution as to the preferred accounting treatment has been established in accordance with IAS 39. For the year 2007 concessionary power sales contracts with financial settlement constituted a volume in the order of 500 GWh. The average price was 87 NOK/MWh.

### Taxes

The tax expense is calculated by applying the estimated effective tax rate that is expected to be applied for the annual result. The tax expense was previously calculated on the basis of the taxable profits for the period.

### Accounting judgements, estimates and assumptions

In applying the Group's accounting policies in connection with the preparation of the interim financial statements, the company's management has exercised its judgement and employed estimates and assumptions that affect the figures included in the income statement and the balance sheet.

The most important assumptions regarding future events and other significant sources of uncertainty in relation to the estimates, and which may involve a significant risk of material changes to the amounts recognised in future financial periods, are discussed in the annual financial statements for 2007.

In preparing the consolidated interim financial statements for the second quarter, Group management has exercised its judgement in relation to the same areas where such judgement has had material significance in regarding the figures included in the consolidated income statement and balance sheet. These areas are discussed in the annual financial statements for 2007.

### Sale of shareholding in E.ON Sverige AB

The 44.6% shareholding in E.ON Sverige AB is recognised as held for sale in the six-month interim financial statements. In its meeting of 18 June the board resolved to proceed with the swap agreement with E.ON, with a view to signing the agreement on 24 July 2008. Shares of the result of E.ON Sverige AB are not recognised in the income statement between the period in which the shareholding is reported as held for sale and the time of sale. The share of the result not recognised in the income statement will be included in the result that is reported on the implementation of the sale as of 31 December 2008.

The share in E.ON Sverige AB is shown in the Segments Note under Other.

# Segment Overview Statkraft SF Group

## SEGMENTS

	Statkraft SF Group	Generation & Hedging	Trading & Origination	Distribution grid	Retail sales	District heating	Development	Other	Group functions and eliminations
<b>Figures in NOK million</b>									
<b>Q2 2008</b>									
Gross operating revenues	4 857	3 852	250	430	627	76	4	117	-498
Operating profit	438	376	95	143	3	17	-74	12	-135
Share of profits from associates and joint ventures	-427	-229	-167	56	5	-2	0	-130	40
Profit before financial items and tax	13	148	-71	200	7	16	-74	-118	-95
<b>Year to date 2008</b>									
Gross operating revenues	12 109	9 509	419	963	1 869	200	12	210	-1 071
Operating profit	5 722	5 325	253	367	52	41	-138	16	-194
Share of profits from associates and joint ventures	741	-152	-81	87	1	-1	0	890	-3
Profit before financial items and tax	6 463	5 173	173	454	52	40	-139	906	-197
<b>Balance sheet 30.06.08</b>									
Investment in associated companies and joint ventures	13 551	5 371	0	1 364	-36	-9	-2	3 500	3 362
Asset held for sale	17 079	-	-	-	-	-	-	17 079	-
Other assets	93 453	84 414	10 085	6 345	1 167	1 614	183	606	-10 961
Total assets	124 083	89 785	10 085	7 709	1 131	1 605	181	21 185	-7 598
Current liabilities	44 307	34 700	9 284	517	503	46	155	120	-1 017
Long-term non-interest-bearing liabilities	10 139	8 362	191	706	122	76	54	108	520
Long-term interest-bearing liabilities	31 522	-	-	-	-	-	-	-	31 522
Total liabilities	85 968	43 062	9 474	1 223	625	122	208	228	31 026
Depreciations and impairments	911	616	4	190	29	29	1	2	41
Maintenance investments	375	273	-	85	-	7	-	10	-
Investments in new capacity	521	350	-	58	-	58	1	54	-
Investments in shareholdings	258	28	18	-	-	-	3	209	-
<b>Q2 2007</b>									
Gross operating revenues	2 981	2 156	27	331	577	60	14	83	-266
Operating profit	655	604	40	79	42	12	-40	-29	-53
Share of profits from associates and joint ventures	436	-596	-40	5	-3	-1	0	1 005	66
Profit before financial items and tax	1 091	8	0	84	39	11	-40	1 014	-25
<b>Year to date 2007</b>									
Gross operating revenues	8 014	5 666	293	796	1 645	161	23	163	-733
Operating profit	3 301	3 125	55	266	119	42	-78	10	-238
Share of profits from associates and joint ventures	1 474	490	-43	54	-10	0	0	955	29
Profit before financial items and tax	4 775	3 615	13	319	109	41	-78	965	-209
<b>Balance sheet 30.06.07</b>									
Investment in associated companies and joint ventures	30 326	8 644	0	1 487	149	70	9	19 308	658
Other assets	80 624	76 137	3 794	6 285	793	1 539	363	435	-8 722
Total assets	110 951	84 781	3 794	7 773	942	1 609	372	19 743	-8 063
Current liabilities	25 520	23 101	3 555	309	270	533	207	19	-2 474
Long-term non-interest-bearing liabilities	10 780	8 888	80	744	78	76	21	249	645
Long-term interest-bearing liabilities	36 965	-	-	-	-	-	-	-	36 965
Total liabilities	73 266	31 989	3 636	1 053	348	608	228	268	35 136
Depreciations and impairments	774	515	5	190	15	17	-	2	30
Maintenance investments	241	163	-	31	-	21	-	26	0
Investments in new capacity	674	468	-	71	-	99	17	19	-
Investments in shareholdings	906	771	26	-	-	-	5	104	-
<b>The year 2007</b>									
Gross operating revenues	17 950	13 209	631	1 565	3 430	317	49	379	-1 630
Operating profit	7 401	7 274	237	399	107	73	-171	31	-551
Share of profits from associates and joint ventures	2 652	1 388	-48	155	-20	-3	0	1 235	-54
Profit before financial items and tax	10 052	8 662	189	554	87	70	-171	1 266	-605
<b>Balance sheet 31.12.07</b>									
Investment in associated companies and joint ventures	32 332	8 026	0	1 764	40	75	9	18 890	3 528
Other assets	77 960	58 463	5 547	6 279	1 751	1 648	169	528	3 575
Total assets	110 292	66 489	5 547	8 043	1 791	1 723	177	19 418	7 103
Current liabilities	25 928	15 384	5 036	543	960	69	152	36	3 748
Long-term non-interest-bearing liabilities	9 603	7 701	114	732	132	78	50	159	637
Long-term interest-bearing liabilities	33 111	-	-	-	-	-	-	-	33 111
Total liabilities	68 642	23 086	5 149	1 274	1 092	147	202	196	37 495
Depreciations and impairments	1 656	1 083	7	390	58	49	3	7	58
Maintenance investments	574	450	-	57	1	22	-	44	-
Investments in new capacity	1 434	996	0	156	-	196	-	86	-
Investments in shareholdings	1 800	1 625	37	-	-	8	1	129	-

# Interim Financial Statements Statkraft SF (NGAAP)

## INCOME STATEMENT

Figures in NOK million	Q2		Year to date		The year
	2008	2007	2008	2007	2007
<b>Other operating revenues</b>	<b>76</b>	78	<b>164</b>	161	335
Salaries	-4	-4	-8	-8	-16
Depreciation and write-downs	-12	-13	-24	-26	-51
Other operating expenses	-49	-28	-72	-52	-102
<b>Operating expenses</b>	<b>-65</b>	-45	<b>-104</b>	-86	-170
<b>Operating profit</b>	<b>11</b>	33	<b>60</b>	75	165
Financial income	189	244	377	468	9 080
Financial expenses	-225	-249	-462	-505	-979
<b>Net financial items</b>	<b>-36</b>	-5	<b>-85</b>	-37	8 101
<b>Profit before tax</b>	<b>-25</b>	29	<b>-25</b>	38	8 266
Taxes	10	85	-1	117	-1 268
<b>Net profit for the period</b>	<b>-15</b>	114	<b>-26</b>	155	6 998

## BALANCE SHEET

Figures in NOK million	30.06.08	30.06.07	31.12.07
<b>ASSETS</b>			
Intangible assets	68	522	68
Property, plant and equipment	752	432	730
Investments in subsidiaries and associates	32 450	32 046	32 450
Other financial fixed assets	6 145	10 818	6 034
<b>Fixed assets</b>	<b>39 414</b>	43 818	39 282
Receivables	13 387	7 872	13 196
Cash and cash equivalents	69	115	175
<b>Current assets</b>	<b>13 456</b>	7 987	13 371
<b>Assets</b>	<b>52 870</b>	51 805	52 653
<b>EQUITY AND LIABILITIES</b>			
Paid-in capital	29 250	29 250	29 250
Retained earnings	468	212	495
<b>Equity</b>	<b>29 718</b>	29 462	29 745
Provisions	13	134	135
Deferred taxes	103	-	-
Long-term interest-bearing liabilities	9 894	14 021	9 798
<b>Long-term liabilities</b>	<b>10 009</b>	14 155	9 933
Interest-bearing current liabilities	4 788	13	4 786
Taxes payable	1 292	1 827	1 318
Other non-interest-bearing liabilities	7 063	6 348	6 871
<b>Current liabilities</b>	<b>13 143</b>	8 188	12 975
<b>Equity and liabilities</b>	<b>52 870</b>	51 805	52 653

## CASH FLOW STATEMENT

Figures in NOK million	Year to date		The year
	2008	2007	2007
Net cash flow from operating activities	-40	41	5 940
Net cash flow from investing activities	-57	3 921	3 940
Net cash flow from financing activities	-9	-3 949	-9 807
<b>Net change in cash and cash equivalents</b>	<b>-106</b>	13	73
Cash and cash equivalents 01.01	175	102	102
Cash and cash equivalents 30.06 / 31.12	69	115	175

## Equity

Figures in NOK million	30.06.08	30.06.07	31.12.07
Paid-in capital 01.01	29 250	29 250	29 250
<b>Paid-in capital 30.06 / 31.12</b>	<b>29 250</b>	29 250	29 250
Retained earnings 01.01	496	56	57
Net profit for the period	-26	155	6 998
Dividend	-	-	-6 560
<b>Retained earnings 30.06 / 31.12</b>	<b>469</b>	212	495
<b>Equity 30.06 / 31.12</b>	<b>29 719</b>	29 462	29 745

## Annex: Statkraft AS Group

### Highlights in the first half-year<sup>2</sup>

In the first six months of the year, the Group posted respective pre- and post-tax profits of NOK 5,334 million (NOK 4,188 million) and NOK 3,218 million (NOK 3,056 million). The adjusted profit after tax for the six months ending 30 June 2008 was NOK 4,513 million (NOK 3,310 million). In the second quarter of the year the Group recorded a loss before tax of NOK 396 million (profit of NOK 655 million) and a loss after tax of NOK 585 million (profit of NOK 450 million). These losses are attributable to significant unrealised changes in value. Adjusted for these, and material non-recurring items, the Group posted a profit after tax of NOK 1,570 million (NOK 726 million).

On 24 July E.ON AG and Statkraft signed an agreement under the terms of which Statkraft will exchange its shareholding in E.ON Sverige for assets and shares in E.ON AG. The transaction is expected to be implemented at the end of 2008.

In March Statkraft decided to proceed with the construction of Blaengwen Wind Farm in Wales. Statkraft and the American company Catamount each own 50 percent of the wind farm, which will have an installed capacity of 23 MW. In June, together with one of its partners in the UK, Statkraft was granted permission to construct Carraig Gheal Wind Farm near Oban on the west coast of Scotland. The wind farm will have an installed capacity of up to 60 MW.

The Group has adopted a new strategy in relation to its commitment to wind power, one

of the effects of which will be an increased focus on the development and construction of offshore wind farms in the North Sea Basin. In March Statkraft signed a cooperation agreement with NorWind within offshore wind power to implement a concept study for a large-scale, fixed-base offshore wind farm. In June Statkraft invested in Arise Windpower AB (11.8% shareholding), which develops onshore wind power projects in Southern Sweden, and WindSea AS (49% shareholding), which is developing a concept for offshore wind power based on a floating construction.

At the end of March Statkraft and its joint venture partner Norsk Solkraft were granted a licence to develop a 3 MW photovoltaic solar energy plant in Italy.

In June SN Power took the decision to start construction of the company's first wind farm. SN Power owns 80% of the wind farm, which is being constructed in Chile together with a local partner. The wind farm will have 23 turbines and a total installed effect of 46 MW.

Retail electricity providers Fjordkraft and Trondheim Energi Kraftsalg have introduced UN-recognised climate quotas within the private sector market, as well as for customers who wish to ensure that their business activities are carbon neutral. This scheme now stands alongside the previously launched certificate-of-origin electricity agreement scheme.

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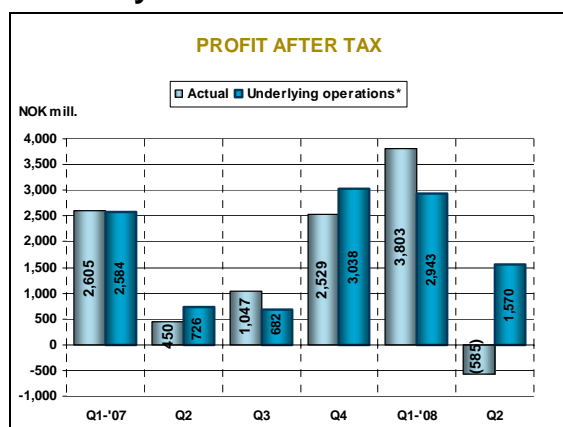
<sup>2</sup> Comparative figures for 2007 are shown in brackets.

## Financial performance

### Result for the first half-year

The profit before tax for the first half of the year was NOK 5,334 million (NOK 4,188 million), while the profit after tax was NOK 3,218 million (NOK 3,056 million). Adjusted for unrealised changes in value and material non-recurring items affecting the Group and its associates, the profit before tax totalled NOK 6,722 million (NOK 4,499 million), while the profit after tax was NOK 4,513 million (NOK 3,310 million). The improvement in results is primarily attributable to higher electricity prices and production.

### Quarterly results



\* Adjusted for unrealised changes in value and material non-recurring items.

In the second quarter of the year the Group posted a loss before tax of NOK 396 million (profit of NOK 655 million) and loss after tax of NOK 585 million (profit of 450 million). Adjusted for unrealised changes in value and material non-recurring items affecting the Group and its associates, the profit before tax amounted to NOK 2,170 million (NOK 1,017 million), while profit after tax was NOK 1,570 million (NOK 726 million). The results for the period were characterised by significantly higher electricity prices and higher levels of production than in the corresponding prior-year period.

### Return on investment

The Group achieved a return on average capital employed (ROACE) before tax of 18.0% over the last 12 months. The corresponding figure for the 2007 calendar year was 17.7%.

The return on equity after tax for the last 12 months was 18.7%, while the total return on

capital after tax was 9.4%, compared with 8.3% for the 2007 calendar year.

These figures are adjusted for unrealised changes in value and material non-recurring items in order to accurately reflect the performance of the Group's ordinary operations.

### Operating revenues

The Group posted gross sales of NOK 4,781 million in the second quarter of the year (NOK 2,906 million). Gross operating revenues for the year-to-date amounted to NOK 11,945 million (NOK 7,858 million). This represents an increase of 52%.

The average spot price on Nord Pool for the first half of the year was 36.4 EUR/MWh (24.6 EUR/MWh), while the Group generated power of 27.5 TWh (21.1 TWh). Gas-fired power production in Germany contributed 2.9 TWh to the overall increase in output of 6.4 TWh, while the remainder of the increase came from hydropower in the Nordic region. Higher prices and increased levels of production were responsible for an increase in net physical spot sales of NOK 3,161 million, which represents an increase of 145% compared with the first half of 2007. Hedging activities followed up on the historically strong results from 2007 and contributed NOK 1,035 million during the first six months of the year.

OPERATING REVENUES			
STATKRAFT AS GROUP	Year to date		The year
Figures in NOK million	2008	2007	2007
Net physical spot sales, incl. green certificates	5,611	2,333	5,469
Concessionary sales at statutory prices	112	105	213
Sales of electricity to industry at statutory prices	729	857	1,713
Long-term commercial contracts	948	757	1,582
Dynamic hedging	1,035	982	1,593
Trading and origination	125	107	623
Distribution grid	962	754	1,535
End-users	1,857	1,626	3,390
District heating	192	160	315
Other/eliminations	-21	-206	111
<b>Sales revenues</b>	<b>11,551</b>	<b>7,476</b>	<b>16,544</b>
Other operating revenues	394	382	1,075
<b>Gross operating revenues</b>	<b>11,945</b>	<b>7,858</b>	<b>17,619</b>

Energy purchases amounted to NOK 2,078 million in the six months ending 30 June 2008 (NOK 1,039 million). The increase is primarily attributable to the purchase of gas for the Group's gas-fired power plants.

Transmission costs associated with the transport of power totalled NOK 601 million (NOK 416 million). The increase is attributable to a rise in the variable portions of the

transmission tariff as a result of higher transmission volumes and prices.

Unrealised changes in the value of energy contracts amounted to NOK -226 million (NOK -305 million).

## Operating expenses

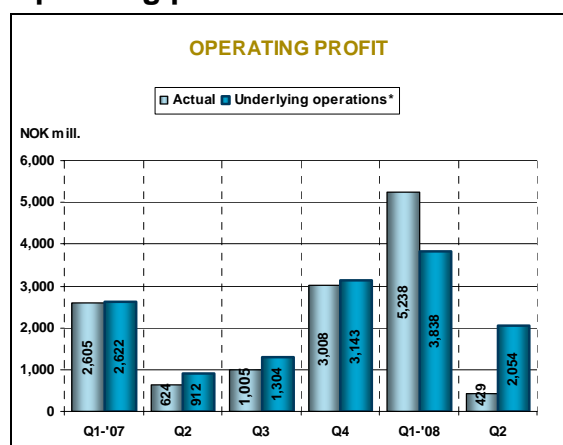
During the first half of 2008 Group operating expenses totalled NOK 3,374 million (NOK 2,868 million), which represents an increase of 18%.

Salaries and payroll costs rose by NOK 92 million to NOK 813 million. The increase is primarily attributable to higher activity levels, ordinary salary increases and higher pension provisions.

The increase in depreciation, amortisation and impairments of NOK 136 million primarily relates to the gas-fired power plant at Knapsack and additional depreciation of the stator at Svartisen in Norway. Total depreciation, amortisation and impairments for the first half of the year amounted to NOK 902 million.

Other operating expenses totalled NOK 1,135 million. The increase of NOK 243 million is primarily attributable to the gas-fired power plants, other new business, project development and a general increase in activity levels.

## Operating profit



\* Adjusted for unrealised changes in value and material non-recurring items.

Operating profit for the second quarter of the year totalled NOK 429 million (NOK 624 million). The operating profit for the first six months of the year amounted to NOK 5,666 million (NOK 3,230 million). Adjusted for unrealised changes in value and material non-

recurring items this represents an improvement of 67%. The majority (93%) of the operating profit is attributable to the Generation and Hedging segment.

## Share of profit from associates

In the first half of the year the share of profit from the Group's associates totalled NOK 738 million (NOK 1,456 million). Adjusted for unrealised changes in value and material non-recurring items, the share of profits totalled NOK 1,791 million (NOK 1,564 million). The improvement is primarily attributable to E.ON Sverige.

Total unrealised changes in value for associates amounted to NOK -985 million (NOK 201 million), while material non-recurring items totalled -68 million (NOK -309 million).

## Financial items

In the first six months of the year net financial items amounted to NOK -1,071 million, which represents an increase of NOK 574 million compared with the corresponding period in 2007.

Part of the increase can be ascribed to negative unrealised changes in value in the Group's interest rate and currency agreements of NOK 212 million. This is attributable to both unrealised foreign currency effects on liabilities denoted in SEK and EUR and unrealised effects of currency hedging of future cash flows in EUR, which so far this year have remained lower than the major gains recorded in the first half of 2007. This is due to the fact that the NOK has depreciated against the SEK and EUR in the respective amounts of NOK 0.002 and NOK 0.05 in 2008, while it appreciated against these currencies in 2007. However, the change in value of interest rate derivatives made a positive contribution. So far this year derivative values have fallen significantly less than during the first half of 2007.

Year-on-year net financial expenses increased by NOK 358 million. This is primarily attributable to increased interest rate expenses on liabilities of NOK 214 million. The rise can be ascribed to both higher portfolio interest charges on the back of higher market interest rates, and increased average liabilities. A number of other factors, including realised foreign currency losses, also contributed to the increase in expenses.

Financial income remained on a par with the previous year. Average liquidity was lower than

the previous year, while increased market interest rates generated an increased yield from the portfolio.

At the balance sheet date state-guaranteed loans amounted to NOK 11.4 billion, and were thus unchanged from 30 June 2007.

The Group has three loan portfolios denoted in NOK, SEK and EUR respectively. The portfolios consist of both variable and fixed interest rates, where the exposure to variable interest rates is 77.1%. The average current interest rate for the year-to-date on loans denoted in NOK, SEK and EUR have been 6.1%, 4.8% and 5.2% respectively.

## Taxes

Taxes during the first half of the year totalled NOK 2,115 million (NOK 1,132 million), resulting in an effective tax rate of 39.7% (27.0%). The effective tax rate for 2007 was 24.3%.

The increase in the effective tax rate is primarily attributable to two factors – an increase in resource rent tax and a relative reduction in the share of income that is not taxed in the Group. The latter applies to the share of profit from associates. Resource rent tax for the first half of the year amounted to NOK 881 million (NOK 306 million), which equates to 41.7% of the Group's total tax expense (27.0%). Income not taxed in the Group comprised 13.8% of the Group's pre-tax profit (34.8%).

The increase in resource rent tax is attributable to a higher tax rate, increased production and a higher average system price.

## Cash flow and capital structure

Operating activities generated a cash flow of NOK 3,934 million in the first six months of the year (NOK 1,816 million). Changes in short-term and long-term tied capital generated a positive liquidity effect of NOK 188 million (NOK 873 million), while dividends from associates totalled NOK 2,561 million (NOK 1,400 million). The net cash flow from operating activities was thus NOK 6,683 million (NOK 4,089 million).

Investments amounted to NOK 1,316 million and primarily related to maintenance operations and increases in capacity. The largest items related to capital payments in SN Power of NOK 200 million, and respective investments of NOK 78 million and NOK 73 million in Leirfossene Power Plant and Arise.

New borrowings totalled NOK 832 million, including NOK 800 million in certificate loans, while debt repayment amounted to NOK 583 million.

<b>CASH FLOW</b>			
<b>STATKRAFT AS GROUP</b>	<b>Year to date</b>		<b>The year</b>
<b>Figures in NOK million</b>	<b>2008</b>	<b>2007</b>	<b>2007</b>
Net cash flow from operating activities	6 683	4 089	7 720
Net cash flow from investing activities	-1 316	-1 805	-4 002
Net cash flow from financing activities	52	4 384	-2 321
Net change in cash and cash equivalents	5 419	6 668	1 397
Currency effect on cash flows	1	-3	-5
Cash and cash equivalents 01.01.	3 150	1 758	1 758
Cash and cash equivalents 31.03. / 31.12.	8 569	8 423	3 150

During the first half of the year there was a positive change in net liquidity of NOK 5,419 million, while at the end of the period the Group's cash and cash equivalents totalled NOK 8,569 million, compared with NOK 3,150 million at the start of the year.

Interest-bearing liabilities totalled NOK 37,290 million at the end of the second quarter of the year, compared with NOK 37,284 million at the start of 2008. The interest-bearing debt ratio was 47.9%, compared with 45.6% at the end of 2007. The percentage of liabilities in EUR is adapted to suit the Group's book assets in EUR, while the share of liabilities in SEK is adapted to the investment in E.ON Sverige.

Current assets, excluding cash and cash equivalents, totalled NOK 22,988 million, while short-term interest-free liabilities amounted to NOK 36,032 million. Of this derivatives represent NOK 18,027 million and NOK 22,363 million respectively.

At the end of the second quarter Statkraft had equity of NOK 40,573 million. This corresponds to 32.7% of total capital. The decrease of 7.6% compared with the start of the year is primarily attributable to the reclassification of the proposed dividend for 2007 from equity to short-term liabilities. The dividend was paid to the owner in July.

## Business areas

KEY FIGURES AS PER Q2 2008					
BUSINESS AREAS	Statkraft AS	Generation	New	Regional	Other <sup>1)</sup>
Figures in NOK million	Group	& Markets	Energy		
<b>INCOME STATEMENT Q2 2008</b>					
Gross operating revenues	11,945	8,409	153	3,809	-427
Energy purchases and transmission costs	-2,679	-1,583	-13	-1,462	378
Unrealised changes in value energy contracts	-226	-272	0	50	-4
Net operating revenues	9,040	6,555	140	2,397	-53
Operating profit	5,666	4,759	-88	1,179	-184
Share of profit from associates and joint ventures	738	-512	-14	368	896
<b>Profit before financial items and tax</b>	<b>6,404</b>	<b>4,247</b>	<b>-102</b>	<b>1,547</b>	<b>712</b>
<b>BALANCE SHEET AS OF 30 June 2008</b>					
Property, plant, equipment, intangible assets	58,808	33,404	1,640	23,432	332
Investments in associates and joint ventures	13,381	805	2,370	10,206	0
Asset held for sale					
Other assets	34,725	23,641	377	3,258	7,449
<b>Total assets</b>	<b>123,992</b>	<b>57,849</b>	<b>4,387</b>	<b>36,896</b>	<b>24,861</b>
Capital employed, basic	43,106	23,657	1,562	17,294	593
Maintenance investments	318	199	0	119	0
Investments in new generating capacity	521	149	86	234	52
Investments in shareholdings	306	294	0	9	3

<sup>1)</sup> Includes the investment in E.ON Sverige

The Group divides its activities into three operating business areas in addition to other areas covering Group functions and financial investments. The Group was reorganised as of 1 July and the new structure will be reflected in future interim reporting.

## Generation and Markets

KEY FIGURES				
GENERATION & MARKETS	Unit	Year to date		The year
		2008	2007	2007
Gross operating revenues	NOK mill.	8 409	4 682	11 062
Energy purchases and transmission costs	NOK mill.	-1 583	-322	-1 218
Unrealised changes in value energy contracts	NOK mill.	-272	-356	-656
Net operating revenues	NOK mill.	6 555	4 004	9 188
EBITDA	NOK mill.	5 235	2 677	6 408
Operating profit	NOK mill.	4 759	2 495	5 608
Share of profit from associates and joint ventures	NOK mill.	-512	51	451
<b>Profit before financial items and tax</b>	<b>NOK mill.</b>	<b>4 247</b>	<b>2 546</b>	<b>6 059</b>
Maintenance investments	NOK mill.	199	119	304
Investments in new generating capacity	NOK mill.	149	318	707
Investments in shareholdings	NOK mill.	294	501	462
Full-time jobs (equivalents)	No.	889	805	829
Share of Group's gross operating revenues	%	70	60	63
Share of Groups's full-time jobs (equivalents)	%	38	36	36

The Generation and Markets business area's activities include operation and maintenance of hydropower plants in the Nordic region, operation of gas-fired power plants in Norway and Germany, and physical and financial energy trading across the whole of Europe. Hydropower production capacity is 33.2 TWh, while gas-fired capacity is 1,210 MW. Production assets are generally flexible and

include 107 wholly owned and partly owned hydropower plants in the Nordic region, one gas-fired power plant in Norway and two in Germany. The business area also has available 2/3 of the subsea cable (600 MW) between Sweden and Germany through the company Baltic Cable AB. In addition to physical power production, extensive trading is performed using standardised and structured power contracts, gas, coal, oil and CO<sub>2</sub>.

### Highlights in the first half-year

The business area posted excellent results in the first half of 2008 and achieved stable operation and production throughout the period under review.

On 24 July Statkraft and E.ON AG signed a swap agreement under the terms of which Statkraft will acquire a significant hydropower and gas power portfolio for the business area. The assets being transferred include 51 hydropower plants in Sweden, Germany and Wales, plus two gas-fired power plants and two biomass plants in Germany. The deal will generate a total capacity increase of 2,226 MW. The business area will also acquire a gas storage facility and a VPP<sup>3</sup> contract. Preparatory work on the integration of the assets into the existing business and business processes is on schedule. The integration process will tie up significant resources for the rest of the year and into 2009.

Knapsack gas-fired power plant entered commercial operation on 16 January 2008.

### Financial performance

The Generation and Markets business area posted a profit of NOK 4,247 million before financial items and tax in the first half of 2008 (NOK 2,546 million). Gross operating revenues totalled NOK 8,409 million (NOK 4,682 million). The increase is attributable to significantly higher spot sales revenues as a result of higher electricity prices and production.

In the first six months of the year energy purchases (gas) amounted to NOK 1,047 million, while unrealised changes in the value of energy contracts increased by NOK 84 million against the corresponding prior-year period. The share of profit from associates was NOK 563 million lower than in the same period the previous year, and relates to unrealised

<sup>3</sup> VPP: Virtual Power Plant

changes in the value of energy contracts connected to Herdecke. The business area's operating expenses increased by NOK 285 million compared with the first half of 2007. The increase is primarily connected to gas-fired power activities and relates to higher personnel costs (NOK 50 million), increased depreciation, amortisation and impairments (NOK 103 million), higher other operating expenses (NOK 106 million), and increased property tax (NOK 25 million) relating to Nordic hydropower activities. Costs developed in line with expectations.

The Generation and Trading segment contributed NOK 3,840 million during the first half of the year, which corresponds to 90% of the business area's profit before tax and financial items. Concessionary and industrial sales at statutory prices accounted for 4.9 TWh of production in the first half of the year. This resulted in a reduction in revenues of NOK 616 million compared with the revenues that would have been generated through selling this output at system prices. Dynamic hedging for the Nordic hydropower portfolio returned excellent results of NOK 973 million for the first half of the year. Dynamic hedging Baltic Cable and gas realised NOK 62 million during the same period. Energy optimisation also reported very strong results in the first six months of the year. The Trading and Origination and Distribution Grid segments achieved an overall result of NOK 415 million before financial items and taxes, with consistently good results in the portfolios.

## Operations

The business areas achieved stable operations and production during the first half of the year. Saleable hydropower production comprised 19.3 TWh, which is 3.5 TWh higher than in the first half of 2007. Additionally, saleable gas-fired power production also contributed 2.9 TWh in the first six months of the year (Statkraft's share).

Utility adjusted downtime amounted to 3.33% in the second quarter, and thus trailed the target of 2.47%. The largest variances relate to Svartisen (new stator), Sysima (fault with rotor-blade wheel), Aura (downtime in connection with audit) and Tokke (fault with transformer). Svartisen Power Plant re-entered operation on 4 June with a new stator. The repairs were originally scheduled for completion by the end of July. However, the moving forward of the audit start by four weeks and a three-week reduction in downtime resulted in the

aggregate entering production seven weeks earlier than planned.

Sickness-related absence in the business area is consistently low, and, at 3.2% at the end of the reporting period, was 0.1% lower than the same period in 2007. Two lost-time injuries and five other injuries have been reported for Statkraft employees in the year-to-date, compared with two lost-time injuries in the same period last year. The number of other injuries fell from eight in the first half of 2007 to five in the six months to 30 June 2008. There were no injuries involving subcontractors in the first half of 2008, nine less than in the comparable prior-year period.

## New Energy

KEY FIGURES				
NEW ENERGY	Unit	Year to date		The year
		2008	2007	2007
Gross operating revenues	NOK mill.	153	127	837
Energy purchases and transmission costs	NOK mill.	-13	-6	-13
Unrealised changes in value energy contracts	NOK mill.	0	0	0
Net operating revenues	NOK mill.	140	121	824
EBITDA	NOK mill.	-52	-21	517
Operating profit	NOK mill.	-88	-38	444
Share of profit from associates and joint ventures	NOK mill.	-14	18	158
Profit before financial items and tax	NOK mill.	-102	-20	602
Maintenance investments	NOK mill.	0	0	0
Investments in new generating capacity	NOK mill.	86	76	151
Investments in shareholdings	NOK mill.	0	301	1 201
Full-time jobs (equivalents)	No.	75	56	68
Share of Group's gross operating revenues	%	1	2	5
Share of Group's full-time jobs (equivalents)	%	3	3	3

The purpose of the business area is to secure future growth in the Group's electricity output by developing and constructing environment-friendly generating capacity. The business area also manages the Group's shareholdings in Småkraft and SN Power. New Energy is also responsible for the Group's innovation activities. Statkraft aims to be a European leader in the development of environment-friendly energy.

## Highlights in the first half-year

During the second quarter of the year two new business units were established for the Group's initiatives within solar power and small-scale hydropower. Three other business units had previously been established for wind power, hydropower (South East Europe) and growth and innovation.

In March Statkraft decided to proceed with the construction of Blaengwen Wind Farm in Wales. Statkraft and the American company Catamount each own 50 percent of the wind farm, which will have an installed capacity of 23 MW. In June, together with one of its partners in the UK, Statkraft was granted permission to construct Carraig Gheal Wind Farm near Oban on the west coast of Scotland. The wind farm will have an installed capacity of up to 60 MW.

In June SN Power took the decision to start construction of the company's first wind farm. SN Power owns 80% of the wind farm, which is being constructed in Chile together with a local partner. The wind farm will have 23 turbines and total installed effect of 46 MW.

The Group has adopted a new strategy in relation to its commitment to wind power, one of the effects of which will be an increased focus on the development and construction of offshore wind farms in the North Sea Basin. In March Statkraft signed a cooperation agreement with NorWind within offshore wind to implement a concept study for a large-scale, fixed-base offshore wind farm. In June Statkraft invested in Arise Windpower AB (11.8% shareholding), which develops onshore wind power projects in Southern Sweden, and WindSea AS (49% shareholding), which is developing a concept for offshore wind power based on a floating construction.

At the end of March Statkraft and its collaboration partner Norsk Solkraft were granted a licence to develop a 3 MW photovoltaic solar energy plant in Italy.

### **Financial performance**

New Energy posted a loss of NOK 102 million (loss of NOK 20 million) before tax and financial items in the first six months of the year. Gross operating revenues for the half-year came in at NOK 153 million (NOK 127 million). The rise of NOK 26 million was mainly attributable to an increase in power sales revenues from the business area's wind farms and Småkraft AS.

Operating expenses increased by NOK 69 million to NOK 228 million (NOK 159 million), primarily as a result of the increase in the number of employees and higher activity levels within development and innovation.

The construction projects in India (43% owned by SN Power) and Chile (50% owned by SN Power) have experienced budget overshoots

and delays. However, rising electricity prices in Chile and India have helped ensure that the projects are still reporting satisfactory profitability.

### **Operations**

Provisional results from wind measurements for Central Sweden have been encouraging, and it is expected that licence applications will be submitted for seven wind farms before the end of the year. In the second quarter the business area notified the Norwegian Water Resources and Energy Directorate (NVE) of a planned capacity expansion of the wind farm at Hitra of 50 MW and the planned construction of a new wind farm at Skardsøya in the Aure local authority. On 24 June the NVE rejected Statkraft's proposal for Fræna Wind Farm. The company will not appeal the decision. As of 1 July Statkraft had no legally binding licences for wind power projects in Norway and is therefore unable to apply for funds from Enova's Wind Farm Program, which has an application deadline of 15 September.

The company is actively working on developing construction projects in Albania, Montenegro, Bosnia-Herzegovina and Serbia. The power deficit in the region is increasing, and Statkraft is already active in power trading within the region.

Work is ongoing in connection with several licences within the field of solar power in Italy and Spain.

At the end of the second quarter Småkraft AS had 14 small-scale power plants under construction with a total anticipated annual production of around 200 GWh. The company's eight power plants that are already in operation produced 32 GWh during the first half of the year. During the second quarter Småkraft was granted three new licences, and took the decision to invest in five new small-scale power plants. Continued high activity levels within sales and project development and low prices in Southern Norway resulted in the company reporting a small loss for the first half-year.

Project development work is currently underway in Asia, Africa and Latin America through SN Power. The company's plants that are in operation in India, Nepal and the Philippines have returned strong earnings for the year-to-date as a result of efficient ongoing operations and high electricity prices, while hydrological conditions have resulted in slightly lower earnings at the company's Peru-based

plants. Statkraft's share of SN Power's loss for the first half of the year amounted to NOK 14 million (profit of NOK 18 million). This figure includes an amount of NOK 40 million recognised as a provision in the first quarter in respect of possible power sales obligations connected to the La Higuera construction project in Chile.

There were two fatalities on projects where SN Power is a part-owner during the second quarter. Both fatalities occurred in connection with the transport of personnel. One accident occurred on the La Higuera project in Chile when a minibus was hit by a large stone. One person died as a result of internal injuries received, while seven others were injured, one of whom was hospitalised. An independent review of the accident concluded that the contractor had committed several procedural breaches relating to transport of personnel during bad weather. At the Allain Duhangan project in India an estate car overshot a bend on the plant road. One of the passengers died and five others were injured. The accident occurred at the beginning of June, at the same time as SN Power was performing an HSE audit of the project with the help of experts from Statkraft. The audit revealed some extremely defective and inadequate routines. The audit report will form the basis for a systematic follow-up based on concrete action plans. There had previously been three fatalities at the Allain Duhangan project as a result of landslides and avalanches during the first quarter. The board of SN Power has implemented concrete measures to improve the serious shortcomings in respect of HSE and is closely monitoring developments.

The business area's sickness absence rate is low and stood at 1.5% for the first half of the year. There were no injuries during the quarter.

## Regional

KEY FIGURES				
REGIONAL	Unit	Year to date		The year
		2008	2007	2007
Gross operating revenues	NOK mill.	3 809	3 341	6 879
Energy purchases and transmission costs	NOK mill.	-1 462	-1 126	-2 966
Unrealised changes in value energy contracts	NOK mill.	50	111	11
Net operating revenues	NOK mill.	2 397	2 326	3 924
EBITDA	NOK mill.	1 547	1 312	2 354
Operating profit	NOK mill.	1 179	971	1 625
Share of profit from associates and joint ventures	NOK mill.	368	433	733
Profit before financial items and tax	NOK mill.	1 547	1 404	2 358
Maintenance investments	NOK mill.	119	120	267
Investments in new generating capacity	NOK mill.	234	240	510
Investments in shareholdings	NOK mill.	9	104	137
Full-time jobs (equivalents)	No.	1 171	1 178	1 197
Share of Group's gross operating revenues	%	32	43	39
Share of Groups's full-time jobs (equivalents)	%	50	53	52

The Regional business area is responsible for managing and developing Statkraft's shareholdings in Norwegian regional power utilities. Statkraft participates in the entire value chain through its shareholdings in these companies. Trondheim Energi, Skagerak Energi and Fjordkraft are included in the consolidated financial statements. BKK and Agder Energi are reported as associates.

### Highlights in the first half-year

The business area manages the Group's industrial shareholdings with the aim of developing and streamlining all parts of the value chain in order to satisfy customer requirements as effectively as possible. In 2007 the organisational structure of the Group's business areas was reviewed with the aim of identifying competitive business models capable of meeting the challenges facing the various areas. Processes have been implemented aimed at bringing about the merger of the Group's various activities within the areas of power sales revenues, district heating, and metering and billing. The goal is to establish national business models within the individual areas of operation.

Bredbåndssalliansen, which is owned by Agder Energi, BKK, Eidsiva Energi, Lyse Energi, Nord-Trøndelag Elektrisitetsverk and Troms Kraft, purchased Ventelo in December 2007, and has made a successful start to integrating Ventelo with BaneTele and Network Norway. To support the creation of an industrial structure for Bredbåndssalliansen that will facilitate optimal value creation, Statkraft is working on coordinating the broadband and

fibre-optic networks operated by BKK and Agder Energi with Bredbåndsalliansen.

Retail electricity providers Fjordkraft and Trondheim Energi Kraftsalg have introduced UN-recognised climate quotas within the private sector market, as well as for customers who wish to ensure that their business activities are carbon neutral. This scheme now stands alongside the previously launched certificate-of-origin electricity agreement scheme.

Trondheim Energi is close to completing construction of Leirfossene Power Plant. The project is proceeding according to plan, and the power plant is scheduled to enter operation in October. The Group's district heating business is currently involved with the development of several different projects. Skagerak Varme has been granted a licence for district heating plants in Tønsberg and Horten, and has started construction of one project on Jarlsø.

### **Financial performance**

The Regional business area posted gross operating revenues of NOK 3,809 million during the first half of the year, which represents a 14% improvement compared with the same period last year.

The business area's associates, primarily Agder Energi and BKK, contributed a share of profit totalling NOK 368 million, which is NOK 65 million down on the comparable prior-year period. The decrease is attributable to several factors including low area prices and reduced production at BKK, but must also be viewed

against the strong results in the corresponding prior-year period largely attributable to financial hedging.

Skagerak Energi owns 34% of Telenor Cinclus which supplies services within automatic meter reading and two-way communication. There have been delays with the roll-out of contract supplies in Sweden, and the board is monitoring developments.

The business area posted an overall profit before financial items and tax of NOK 1,547 million for the first six months of the year (NOK 1,404 million), which corresponds to 24% of the corresponding figure at Group level (30%).

The Generation and Hedging segment accounted for NOK 1,267 million of the profit before financial items and tax, while grid operations contributed NOK 292 million, power sales to end-users NOK 52 million and district heating NOK 40 million. The net effect from the above segments, shared services and eliminations was a negative contribution of NOK 104 million.

### **Operations**

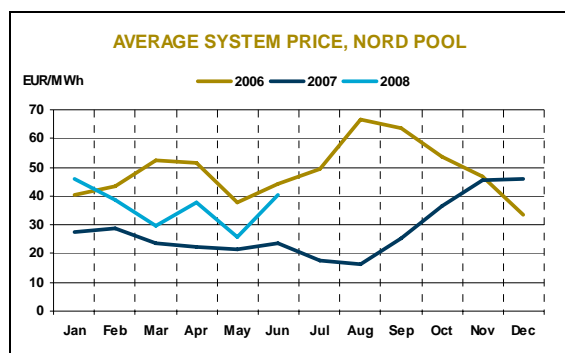
The companies within this business area generally maintained stable operations and levels of production during the first half of the year.

The sickness absence rate during the first half of the year was 4.9%. There were five lost-time injuries, resulting in an H1 indicator of 8.4. There were a further five injuries that did not result in absence from work.

## Markets

### The Nordic power market

The system price in the Nordic market was higher during the first half of 2008 than during the corresponding prior-year period. Prices were impacted by high CO<sub>2</sub> prices since the turn of the year, an improved hydrological balance and the fact that high coal prices resulted in increases in marginal costs of thermal power plants. Precipitation was higher than normal and consumption was also high despite relatively warm weather. The average system price in the first half of 2008 was 36.4 EUR/MWh compared with 24.6 EUR/MWh in the first half of 2007 and 44.9 EUR/MWh in the first six months of 2006. The highest average monthly price for the year was recorded in January (45.8 EUR/MWh), while the lowest average monthly price was posted in May (25.8 EUR/MWh).



Source: Nord Pool

There continue to be major differences between the various regional price areas in the Nordic market. While prices were low in the NO1 area (Southern Norway) and were 15.5 EUR/MWh below the system price in June, prices in the NO2 (Central Norway) and NO3 (Northern Norway) areas were higher, and 16.3 EUR/MWh and 14.2 EUR/MWh above the system price in June respectively.

Consumption in the Nordic region in the first half of the year was on a par with the previous year, while consumption in Norway was higher than in the first six months of 2007. Total consumption in Norway increased by 3.3% compared with the first half of 2007. This increase was mainly attributable to a rise in general consumption, increased demand from power-intensive industry and the use of electric boilers. At the end of the second quarter, general consumption in Norway totalled 45.9 TWh, which represents an increase of 3.4% compared with the corresponding prior-year

period. The first six months of 2008 were considerably milder than normal and temperature-adjusted general consumption amounted to 48.9 TWh, an increase of 4.1% on the previous year.

The Nordic power generation area produced 3.3 TWh (+1.6%) more electricity during the first half of the year than in the corresponding prior-year period. The Nordic region exported a net volume of 9.0 TWh to Germany, Poland and the Netherlands in the first half of the year, and imported a net amount of 6.4 TWh, primarily from Russia and Estonia.

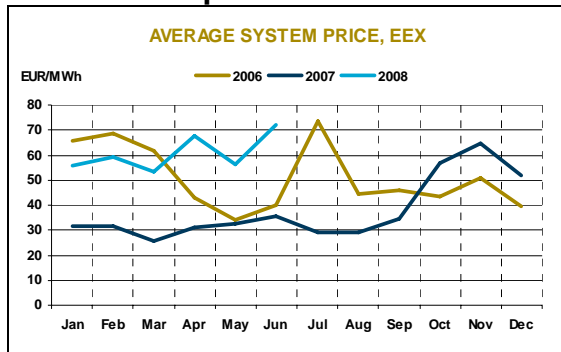
Norwegian power output was also higher in the first half of 2008 (72.5 TWh) than in the same period last year (66.8 TWh). Net Norwegian power exports amounted to 5.6 TWh (2.1 TWh). Expectations of high electricity prices in the early part of 2008 due to higher CO<sub>2</sub> prices since the turn of the year resulted in high reservoir levels at the turn of the year. However, heavy snowfalls and a mild winter resulted in a sharp fall in prices, particularly in Southern Norway, with the result that power exports approached maximum capacity during some periods. Power exchange capacity was significantly lower than expected in the first half of the year due to repair work affecting the transmission cables to Sweden and Denmark has taken longer time than anticipated. The start of operation of the cable to the Netherlands was also postponed, with the result that the cable did not enter operation until the second quarter.

POWER CONSUMPTION AND OUTPUT IN THE NORDIC AREA				
TWh	2008	2007	2006	Change 2008-2007
Nordic consumption	203.9	204.0	209.8	0.0 %
Nordic output	206.5	203.2	205.5	1.6 %
Net Nordic imports (+) / exports (-)	-2.6	0.8	4.3	-
Norwegian consumption	66.8	64.7	66.3	3.3 %
Norwegian output	72.5	66.8	67.4	8.4 %
Norwegian imports (+) / exports (-)	-5.6	-2.1	-1.1	-

Sources: "Nord Pool Nordic electricity market information" for the weeks 26/2008, 26/2007 and 26/2006, and "Nord Pool Landsrapport Norge" (Nord Pool Country Report Norway) for the weeks 26/2008, 26/2007 and 26/2006.

At the end of June 2008 (Week 26) the water level in the Nordic region's reservoirs was 108.3% of normal levels and 74.4% of maximum reservoir capacity.

## The German power market.



Source: European Energy Exchange (EEX)

The electricity price in Germany in April was 67.5 EUR/MWh, which represents an increase of 14.2 EUR/MWh compared with the previous month. The average EEX system price reached a record high in April, when it was 36.4 EUR/MWh higher than 12 months

previously. EEX prices were higher than Nordic prices during 97% of hours in April.

The average EEX system price notched up a further record high in May, closing the period on 56.2 EUR/MWh, 23.4 EUR/MWh higher than the price in May 2007. EEX prices were higher than Nordic prices during 96% of hours during May.

The electricity price continued to rise in June, and the average EEX system price for the month was 72.3 EUR/MWh. This represented yet another record high and was 36.5 EUR/MWh higher than in June 2007. EEX prices were higher than Nordic prices during 98% of hours in June.

## HSE and the workforce

At the end of the second quarter of 2008 the Group employed 2,335 full-time equivalents, 48 more than at the end of 2007.

KEY FIGURES, HSE			
STATKRAFT AS GROUP	Q2		
	2008	2007	2006
Full-time jobs (equivalent) 30 June	2,335	2,218	1,998
H1 (lost-time injuries per million hours)	6.1	2.9	6.9
H2 (all injuries per million hours)	14.9	9.2	12.9
F (days lost through injury per million hours)	23	38	83
Absence due to illness (%)	3.9	3.3	3.5

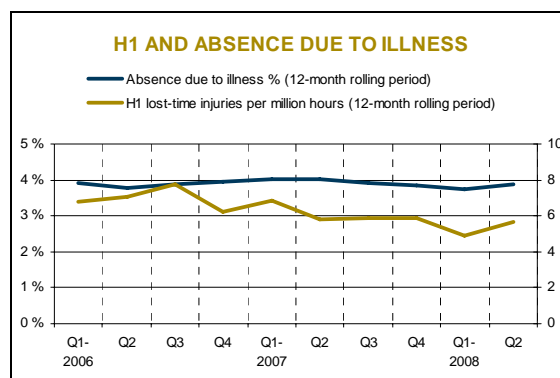
There were seven lost-time injuries in the Group in the second quarter, which corresponds to an H1 value of 6.1. Four of the lost-time injuries occurred at Skagerak Energi, two at Statkraft Energi AS and one at Trondheim Energi. The absences related to a fall from a wood mast, a knife-cut, a car overturning, an electric shock and a crushing injury following the uncoupling of rapid coupling. There was 26 days' absence due to injuries in the second quarter. A total of 17 injuries were recorded in the Group during the quarter, compared with nine in the same period in the previous year. One further lost-time injury was reported among the Group's suppliers (Trondheim Energi). The causes of all the incidents were investigated, and remedial measures were taken where relevant. At Skagerak Energi work relating to behavioural safety was stepped up, and a safety project for working at heights was initiated.

In May there was a fatality at the La Higuera project in Chile, where SN Power is a part owner, when a minibus was hit by a stone. The incident resulted in one fatality, one person receiving a broken leg and six people suffering slight injuries. In June one person died at the Allain Duhangan project in India, where SN Power is also a part owner, when a car overshot a bend on the plant road. Five people were also injured. The board of SN Power has implemented concrete measures to improve the serious shortcomings in respect of HSE and is closely monitoring developments.

Two injuries to third parties were also recorded in the second quarter. In June three school pupils travelled without permission on a transport trolley belonging to Glomfjord Power

Plant. Two of the pupils were injured (broken bone and broken tooth).

The sickness absence rate for the second quarter was 3.9%, compared with 3.3% in the corresponding prior-year period. Statkraft's goal is to achieve a sickness absence rate below 4%. Phase 2 of the health project "Energy for Life", which aims to stimulate physical activity and health-promoting measures throughout the Group will be launched during the third quarter.



There were no serious environmental non-compliances or serious environmental incidents in the second quarter. However, there were 13 less serious environmental non-compliances. These related to breaches of minimum water flow rate regulations at Stennäs, Hogga and Høyanger, breaches of draining requirements at Lio, over damming at Gideå and Lejonstrømmen/Kvistfossen (two instances), breaches of water level requirements at Aursjøen, inadequate signs on paths and cycle paths, oil discharges at Hølseter Power Plant into Sellisjøen/Nea, too high emissions of SO<sub>2</sub> and faulty emptying of excavation residues from concrete trucks. There were a further 13 less serious environmental incidents, primarily relating to minor oil spills and the death of sea eagles (a total of seven in the first half of 2008). No serious environmental consequences were recorded, and all non-compliances and incidents are followed up.

The Group project to establish a common environmental management system at Statkraft is proceeding as planned. During the second quarter most of the affected units implemented an environmental review using joint methodology.

## Outlook

Statkraft is in a period of strong growth. Three gas-fired power plants have been completed and the agreement entered into with E.ON AG for the sale of shares in E.ON Sverige in exchange for assets and shares in E.ON AG will increase the Group's generating capacity by approximately 7 TWh. The company has also signed an agreement with SCA regarding collaboration on the development of hydropower and wind power in Sweden, and has investments through SN Power in power plants in the Philippines, Chile and Peru. Over the course of a few years Statkraft has developed into a strong Norwegian company with significant international operations. Furthermore the strategy adopted by Statkraft has placed the Group in an excellent position to achieve further growth and development, within environment-friendly energy both in Norway and internationally. In order to secure an effective structure for continued growth and profitability Statkraft is working on the restructuring of the Group. The new organisational model will be implemented in the third quarter.

High reservoir levels at the end of the year and higher than normal precipitation levels have resulted in a robust resource situation. The system price was significantly higher during the first half of the year than in the corresponding period last year, and forward prices also indicate that prices will remain higher during

the remainder of the year than during 2007. Together with the increase in generating capacity facilitated by the new gas-fired power plants, this will form the basis for a relatively high level of power production during 2008 and increased revenues from ongoing power sales. However, uncertainty is attached to the further development of power prices and the resource situation.

The Group's increased focus on development and construction of wind power with a particular emphasis on offshore wind power has already resulted in several promising development projects. Statkraft has also established its own solar power initiative focusing on the development of solar power plants.

The Group has a strong focus on innovation and development of new technologies for power production. The construction of the world's first prototype osmosis power plant has started, and Statkraft is participating in an extensive Nordic collaboration on research into ocean energy. The aim is to become Europe's leading expertise and training network in this area. Statkraft is also a part-owner of the company WindSea, which is a collaboration initiative between Statkraft, NLI Innovation and FORCE Technology, which develops turbines for floating wind power plants.

## Responsibility statement

We confirm to the best of our knowledge that the condensed set of financial statements for the period 1 January to 30 June 2008 has been prepared in accordance with IAS 34 'Interim Financial Reporting' and gives a true and fair view of the Group's assets, liabilities, financial position and result for the period viewed in their entirety, and that the interim management report includes a fair review of any significant events that arose during the six-month period and their effect on the half-yearly financial report, any significant related parties' transactions, and a description of the principal risks and uncertainties for the remaining six months of the year.

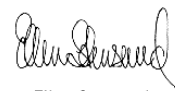
Oslo, 13 August 2008  
The Board of Directors of Statkraft AS



Berit Rødseth



Arvid Grundekjøn  
Chair



Ellen Stensrud  
Deputy chair



Halvor Stenstadvold



Aud Mork



Egil Nordvik



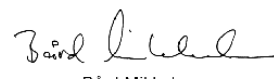
Thorbjørn Holøs



Astri Botten Larsen



Odd Vanvik



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